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DECEMBER

Guidance Note on Preparing and Submitting High Quality Suspicious Transaction/Suspicious Activity Reports



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1. Introduction

Objective

The objective of this Guidance Note is to promote and engender a high quality of excellence among financial sector stakeholders, in the preparation and reporting of suspicious transactions and/or suspicious activity, to the Financial Intelligence Unit (FIU).¹

Importance of Suspicious Transaction/Suspicious Activity Reporting

The information provided in a Suspicious Transaction Report (STR) - alternatively referred to as a Suspicious Activity Report (SAR) - is invaluable. The information is useful to the FIU's development of critical intelligence that can assist law enforcement in domestic and international money laundering and terrorist financing investigations and other criminal cases. STRs also enable the FIU to develop typologies as it relates to anti-money laundering, combating the financing of terrorism and proliferation financing (AML/CFT/ PF) matters in both the regulated and unregulated sectors.

Some STR/SAR filings can result in immediate action being taken to stop criminal activity, leading to arrests and successful prosecutions. Other STRs can provide useful information such as aliases, bank account details and information regarding other previously unknown assets that can assist in ongoing investigations, or provide information that can initiate new investigations.

STRs/SARs can also provide an understanding of the threats against the jurisdiction by identifying trends, patterns and changes in the types of crimes being perpetrated, as well the vulnerabilities of certain legal persons, arrangements, sectors, products and services for misuse and abuse by domestic and international criminal elements. From this, alerts and industry advisories can be prepared and disseminated.

In some instances, the FIU receives multiple STRs/SARs on the same subject(s). Development of the information provided in these STRs can identify new subjects, provide the "missing link", and ultimately lead to the successful prosecution of criminals and recovery of assets.

1.1 Legal Framework

The Barbados AML/CFT/PF legislative framework for this Guidance Note on Preparing and Submitting High Quality STRs/SARs includes the following:

- The Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 (MLFTA);

¹ The information presented in this Guidance Note should be read in conjunction with the published guideline of domestic supervisory authorities.

- The Anti-Terrorism and Counter-Proliferation of Weapons of Mass Destruction Act 2002, Cap. 158, (ATCPWMDA);
- The Anti-Terrorism (Amendment) Act 2019, 34;
- The Proceeds and Instrumentalities of Crime Act, 2019-17 (PIOCA).
- The Anti-Terrorism (Amendment) Act 2015, 28.

2. The Suspicious Transaction Report

2.1 What is a Suspicious Transaction Report (STR)?

A suspicious transaction report is a formal mechanism that allows for the disclosure of transactions suspected to be linked to the proceeds of crime, terrorist financing as well as transactions considered suspicious or unusual.

2.2 Who is required to file a STR?

Specifically, section 23 (1) of the Money Laundering and Financing of Terrorism (Prevention and Control) Act 2011- 23 (MLFTA) as amended by Section 4 of the Money Laundering and Financing of Terrorism (Prevention and Control) (Amendment) Act 2019-22 obligates a **financial institution** to monitor and report promptly to the Director of the FIU -

(a) any business transaction where the identity of the person involved, the transaction or any other circumstance concerning the transaction gives the institution or any officer or employee of the institution reasonable grounds to suspect that the transaction.

- i. Involves proceeds of crime;
- ii. Involves the financing of terrorism; or
- iii. Is of a suspicious or an unusual nature; and

(b) any exchange of currency or instruction for the transfer of international funds, whether by telegraph or wire, into and out of Barbados, where the transaction appears to be of a suspicious or an unusual nature.

This obligation also extends to **Designated Non-Financial Entities and Professionals (DNFBPs)** under Schedule II of the MLFTA. These entities are required to implement measures that would enable them to determine whether a money laundering or a terrorist activity financing offence has occurred. These measures include:

- A transaction monitoring capability that allows for the identification of unusual and/or suspicious transactions;
- Training relevant staff to

- a. assess the facts and context surrounding the suspicious and/or unusual transaction;
- b. link money laundering and terrorist financing indicators to the assessment of the facts and context; and
- The ability to communicate your grounds for suspicion in a clear, concise and complete manner giving consideration to the context and money laundering, terrorist financing and proliferation financing indicators.

Section 48 (5) of the MLFTA also makes provision for a regulatory authority and other public authorities to disclose suspicious or unusual transactions to the FIU where there are reasonable grounds to believe that the information

- (i) may be relevant to an investigation of, or the prosecution of, a person for an offence; or
- (ii) would otherwise be of assistance in the enforcement of the MLFTA or any regulations made thereunder.

2.3 Failure to submit a STR

Section 23 (2) of the MLFTA provides that where a financial institution or a non-financial business entity or professional does not make a report as required, the financial institution or DNFBP is guilty of an offence and is liable on conviction on indictment to a fine of \$100 000.

Additionally, Section 47 (2) of the MLFTA provides that the Court may, where it is satisfied upon application by the Director of Public Prosecutions that a financial institution has failed without reasonable excuse to comply wholly or in part with any obligation imposed on the institution by Section 23 (1) of the MLFTA, issue a mandatory injunction against any or all of the officers or employees of the financial institution in such terms as the Court deems necessary to enforce compliance with such obligation.

2.4 How to submit a STR

The FIU currently accepts STRs submitted through the following means:

1. The STR Form (available for download here: <https://www.barbadosfiu.gov.bb/forms/>); or
2. Electronically via CaseKconnect ([caseKconnect \(fiuconnect.gov.bb\)](https://casekconnect.fiuconnect.gov.bb))

Once the hard-copy format of the STR Form is completed, it can either be hand-delivered to the office of the FIU posted to their mailbox address at P.O Box 1372, Bridgetown, or submitted via encrypted email at adminfiu@barbados.gov.bb

2.5 Completing the STR Form

The MLRO/Compliance Officer should provide comprehensive information when filing using the prescribed STR Form.

PART A -Initial Information

Part A of the STR Form requires initial information on the description of the sector in which the reporting entity operates - e.g. Accountant, Attorney-at-Law, Commercial Bank, Real Estate, Trust Company, Offshore Bank etc. Also, the MLRO/Compliance Officer must indicate whether the report relates to a Completed Transaction, Attempted/ Aborted Transaction, Terrorist Designation or Counter-Proliferation Designation.

PART B- Identity of Customer/Client

Part B of the STR Form requires the MLRO/Compliance Officer to provide specific information on the identity of the Customer/Client (Subject). All information required to complete these fields should be provided where it is known to assist in identifying suspects and/or discounting potential matches. If certain information is not known at the time of the SAR filing, an appropriate comment or the word 'Unknown' should be entered.

These details include the full name of the Customer/ Client, along with any alternative names and spellings. Also required are details of the Customer's address(es), date of birth, nationality, occupation, employer, contact information (telephone numbers and email address), account information (account number and type of account).

For Natural Persons

- Full legal name and any alternative names/spelling.
- Place and date of birth (MM/DD/YYYY format).
- Addresses used by a subject including primary residential addresses and post office box addresses.
- All nationalities of a subject.
- Telephone numbers and email addresses of a subject.
- All identification numbers associated with a subject such as a passport number, national identification number and driver's license number.
- The occupation of a subject.
- The employer of a subject.
- All account numbers and types of accounts associated with a subject. Such as personal, corporate, trust and joint accounts.
- Where the account is joint, the identities of the other signatories.

For Legal Persons or Arrangements

- Full legal name and any other names used for trading purposes.

- Type of company
- Country and date of incorporation (MM/DD/YYYY format).
- Company registration number
- Business activity
- Share capital
- Registered office address and other business address(es).
- Website address
- Telephone numbers, fax numbers and email addresses.
- The relationship of a subject to a company such as Director, Legal Officer, Chief Executive Officer, Chief Financial Officer, Shareholder, Beneficial Owner, and Nominee Director². Where any of these are natural persons, provide the identification details as outlined above.

PART C – Third Party Information

Under this Part, details must be provided only if a transaction was conducted on behalf of another person/entity other than those mentioned in Part B.

- Full legal name and any alternative names/spelling.
- Place and date of birth (MM/DD/YYYY format).
- Addresses used by a subject including primary residential addresses and post office box addresses.
- Telephone numbers and email addresses of a subject.
- All identification numbers associated with a subject such as a passport number, national identification number and driver's license number.
- Occupation
- Employer
- Type of Business
- All account numbers and types of accounts associated with a subject. Such as personal, corporate, trust and joint accounts.
- Where the account is joint, the identities of the other signatories.

PART D – Transaction Details

- Type of transaction such as cash out, deposit to an account cash/cheque, life insurance policy purchased/deposit, securities, inter-account transfer, outgoing electronic transfer, currency exchange and purchases of bank draft, jewelry, precious metals/stones, diamonds, money order, traveler's cheques, gold and purchase of real estate.
- Date of transaction (MM/DD/YYYY format).

² Though nominee directors are not permitted in Barbados this may apply to entities incorporated outside the jurisdiction who may have accounts with financial institutions located in Barbados.

- Amount and Currency. Where the transaction is not conducted in Barbados currency, the Barbados currency equivalent must be provided.
- Name of the Drawer/Ordering Customer
- Name of Payee/Beneficiary
- Any other bank or country involved
- Copies of relevant documents such as bank statements or real estate documents must be provided for suspicious or unusual activity and identification and verification purposes.

PART E – Grounds for Suspicion

A clear and complete narrative of the factors or unusual circumstances that led to the suspicion that the transaction(s) involve(s) the proceeds of crime, financing of terrorism or proliferation financing must be provided.

PART E2

This section is used when additional information is being attached.**PART E3**

Where the identity of the customer has not been identified in PART B and they are not known to the reporting officer, a description can be given. (e.g. sex, age, height, built, ethnicity, complexion, etc.)

PART F – Suspected Offences

Under this Part, details must be provided of the suspected criminal offence related to money laundering, financing of terrorism or proliferation financing. Such suspected offences include fraud, drug trafficking, human trafficking, arms trafficking, corruption, proliferation financing, terrorist financing, kidnapping, Robbery, theft etc.

PART G - Details of financial institution/place of transaction

- Name of the Organisation
- Branch where transaction occurred if applicable
- Name and Title of the Reporting Officer
- Signature of the Reporting Officer
- Contact information for the Reporting Officer
- Internal reference number

3. Elements of a High Quality STR

For the FIU's purposes, a high quality STR/SAR is one which is:

- a) Timely; and
- b) Complete.

3.1 Timeliness

A timely STR/SAR enables the FIU to:

- quickly activate its analytical and intelligence gathering activities to assist in both identifying and stemming the flow of the proceeds of crime.
- communicate with law enforcement in an expeditious manner and inhibit the further concealment and movement of illicit funds.

In determining the timeliness of a STR, the FIU considers the following, amongst other things:

- What is the interval between the occurrence of the suspicious transaction/activity and the date the matter was submitted to the FIU?
- Was the interval between the occurrence of the suspicious transaction/activity and the date of filing of the STR due to:
 - a. The pending completion of the reporting entity's own investigation?
 - b. A delay in the reporting entity's gathering of relevant information?
 - c. Exigent circumstances?

3.2 Completeness

Missing information could compromise the work of the Analyst resulting in unnecessary intelligence gathering delays. The impact here is to further impede the FIU's ability to disseminate reports to law enforcement agencies in a timely manner.

MLROs/Compliance Officers should ensure that information pertaining to **all** of the actors relevant to the transaction or suspicious activity are captured in full whether individuals, legal persons (companies) or arrangements (trusts). This also includes the type of account, value and mode(s) of transaction(s).

Beneficial ownership information must also be included particularly where the transaction is complex. Relevant, supporting information should also be appended to the STR.

The **grounds for suspicion** must be clear and provide sufficient detail as to what occurred. Why is the report being submitted in the first place? What does your own investigation reveal? Is information contained in the STR coherent, that is:

- Is the suspicious activity/reason (s) for filing the STR clearly conveyed?
- Are the relevant ML/TF/PF indicators stated?
- Are appropriate linkages made between/among the various actors involved?
- Are conclusions consistent with what occurred?

The noted questions form the basis of a complete STR. Clear thought must therefore be given to this vital component as it influences, in part, the risk rating the FIU will apply to the STR/SAR and therefore the level of urgency accorded it.

The above notwithstanding, it may not always be possible to acquire all the relevant information necessary to file the STR/SAR in a timely manner. Or, even though there may be suspicion, there is still not a clear understanding of what is really going on and therefore the completeness requirement may be impacted. Under such anomalous conditions it is best to establish contact with the FIU for further guidance.

4. Developing the STR Narrative

In providing the STR Narrative, consideration must be given to identifying the five essential elements of information – **Who? What? When? Where? and Why?** – in relation to the suspicious transaction/activity being reported. The method of operation (i.e. **How?**) is also important and the reporting entity should answer this question as thoroughly as possible.

4.1.1 Who is involved in or conducting the suspicious transaction/activity?

- List the **conductor, beneficiary and holders** of all accounts involved in the transaction.
- Take **reasonable measures** to verify the identity of the conductor of the transaction. This means that you are expected to ask the customer/client for this information unless you think doing so will tip them off to your suspicion. The purpose of requesting this information is to determine if there is another person or entity instructing the customer/client to conduct an activity or a transaction.

Reasonable measures include asking a customer/client if they are acting on someone else's instructions or retrieving the information that may already be contained in your records. When determining whether an individual has conducted or attempted a suspicious transaction on anyone else's behalf, it is not about who owns or benefits from the money, or who is carrying out the transaction or activity, but rather about **who gives the instructions** to handle the money or conduct the transaction/activity.

Where it has been determined that a third party was instructing the customer/client, then the reporting entity must indicate if the transaction was

conducted on behalf of an entity or on behalf of another person. If there is no third party, or the reporting entity is unable to determine whether there is a third party, then indicate that this part is not applicable.

- Provide **identifying information** on the parties involved in the transaction. This could include the information you recorded to identify the conductor, as well as any information you have on the other parties to the transaction or its recipients.
- **List owners, directors, officers and those with signing authority, when possible.** If the transaction involves an entity, you could include information on the ownership, control and structure of the business in the STR.
- Provide **clear information about each person or entity's role** in each of the financial transactions described. It is important to know who is sending and receiving the funds.
- **Explain the relationships among the persons or entities (if known).** This is very helpful to the FIU when trying to establish networks of persons or entities suspected of being involved in the commission or attempted commission of an ML/TF offence.

4.1.2 The MLRO/Compliance Officer should provide a summary regarding the movement of funds. This summary should clearly identify:

Source of funds;/Source of wealth;

- All account numbers at the reporting institution that are affected by the suspicious transaction/activity; and
- Accounts at other institutions that the reporting entity has identified as having interacted with the account(s) associated with the suspicious transaction/activity. This information can be gathered by reviewing the subject's bank account activity, wire transfer records and other transfer or deposit activity.

4.1.3 When did the suspicious transaction/activity occur?

In some instances, the reporting entity may identify that suspicious transaction/activity has occurred over a period of time. The MLRO/Compliance Officer should provide the date they first noticed the suspicious transaction/activity, as well as the period of time over which suspicious transaction/activity has been observed. Individual dates and amounts of transactions should be included to better track the flow of funds.

4.1.4 Where did the suspicious transaction/activity occur?

The reporting entity should clearly state whether a subject has used multiple branches, locations or offices to conduct the suspicious activity. For example, a subject may use

multiple locations of a money remitter to circumvent reporting requirements and make detection more difficult.

In other cases, the suspicious activity may involve a foreign jurisdiction, as well as other domestic and foreign financial institutions. Details of the jurisdiction, local and foreign financial institutions and any cross- border movement of funds should be provided.

4.1.5 Why does the MLRO/Compliance Officer think that the transaction/activity is suspicious?

The MLRO/Compliance Officer should clearly explain the rationale for filing the STR. Consideration should be given to providing a description of the industry or business that the reporting entity is involved in (e.g. depository, trust and corporate services, money services business etc.). The MLRO/Compliance Officer should then explain as thoroughly as possible, why the activity or the transaction(s) is unusual or suspicious for the customer. In doing so, support can be given by stating the specific ML/TF indicators and the suspected criminal offence related to the ML/TF if known. Furthermore, references can be made to the normal expected activity of similar customers and the types of products and services offered by the reporting entity and other participants in that industry or business sector.

4.1.6 How did the suspicious transaction/activity occur?

The MLRO/Compliance Officer should describe the “modus operandi” or the method of operation of the subject conducting the suspicious transaction/activity. Describe how the suspicious transaction or pattern of transactions was committed. To the extent possible, provide a complete picture of the suspicious activity involved.

5. Structuring the STR Narrative

After the MLRO/Compliance Officer has carefully considered the information that should be provided in the STR Form, the STR Narrative should be presented in a clear, concise and chronological manner. All elements of the five W’s (**Who? What? When? Where? and Why?**) and the **How?** should be adequately addressed in the narrative, as well as any other pertinent information that can assist law enforcement.

The FIU recommends that the MLRO/Compliance Officer use paragraphs to separate the narrative into an introduction, a body and a conclusion.

5.1 Introduction:

The introductory paragraph can be used to provide the following:

1. The reason for filing the STR and a description of the circumstances surrounding the suspicious activity that has been observed.

2. The date and reference numbers (assigned by the FIU) of any previous STRs filed on the subject, or the connection to any other STRs filed where a link was not previously detected by the reporting entity.
3. A summary of the indicators and suspicious patterns of transactions or activity that triggered the STR filing. Alternatively, this may be included in the concluding paragraph.

5.2 Body:

The paragraph(s) following the introductory paragraph can be used to provide all of the relevant details supporting the reason why the STR filing is being made, such as:

1. All facts and information that the reporting entity is aware of regarding the subject(s) that were involved in the suspicious activity or that facilitated the suspicious financial transaction(s). The MLRO/Compliance Officer is permitted to include any observations or logical deductions that have been made surrounding the suspicious activity. For example, discrepancies or inconsistencies noted in statements made by the subject(s), inconsistencies in the documentation provided, the financial account appears to be used as a “pass-through” account (indicative of the layering stage of money laundering), lack of economic rationale for financial transactions, financial flows not consistent with the expected activity level etc.
2. Where the suspicion being reported relates to financial activity, a detailed description of all accounts and transactions involved should be provided. The reporting entity should adequately explain why any transactions that have been identified have been deemed to be suspicious. E.g., if observed financial activity deviates from the normal or expected activity level for the customer, an explanation should be provided as to how the activity differs.
3. Information regarding the origination, application and destination of funds should be provided where known. Transactions should be listed in chronological order, along with the amount (currency should be identified). Transactions can be further broken down into debits and credits.
4. Moreover, details including the name and location of all financial institutions (domestic and international) involved, names, addresses, account numbers, and other details regarding the originator and beneficiary of transactions should be included. These details are key in understanding the flow of funds, and ultimately for asset-tracing and recovery.
5. For transactions conducted using cheque or bank drafts, details regarding the cheque number, the bank and account it was drawn on, the payee, the date issued, date the cheque was presented for deposit etc., and the amount of the cheque should be included. Details on cash transactions such as the location (e.g. bank branches or ATM location) where the transaction (s) occurred and how the transactions occurred (e.g. night deposit, ATM deposit/withdrawal etc.) should be included.
6. An explanation should accompany suspicion that has arisen due to circumstances other than as a result of financial transactions. For example, an entity may have discovered adverse media linking a customer or a controlling person of its customer to criminal

activity, but is unable to state accurately whether its customer has facilitated the flow of criminal proceeds or is involved in criminal activity. Where the nature of reporting entity's relationship with a client does not involve financial transactions (e.g. registered agent), details regarding how the reporting entity's fees are settled should also be included.

7. Where the reporting entity has observed any relationships among the parties to the transactions identified at point 2, these should also be included. For e.g., the originator and beneficiary may be related parties due to a common beneficial owner.

5.3 Conclusion:

The final paragraph of the STR Narrative should summarize the report and can include:

1. Information regarding any action(s) that the reporting entity intends to take (e.g. termination of the business relationship, disbursement of funds pursuant to the terms of liquidation, ongoing monitoring of activity, enhanced due diligence etc.)
2. Additional information that the reporting entity may deem useful to law enforcement.
3. A statement as to whether a STR/SAR or a similar report has been made by a related financial institution, or contracted third party either locally or in another jurisdiction.
4. A statement as to whether the reporting entity has been served with a court order, or whether law enforcement has made inquiries regarding a particular customer. This may have prompted a review of the business relationship which ultimately resulted in the STR being filed.
5. The names of any law enforcement personnel who may be investigating the subject(s). This reduces duplication of efforts by the FIU and the law enforcement agency.

5.4 Supporting Documentation

The FIU welcomes the provision of documents that support the information presented in a STR. Items such as bank statements, wire transfer records, copies of agreements, corporate records (e.g. Memorandum & Articles of Association and any amendments), Registers of Members etc.), insurance policies, schedule of subscriptions and redemptions made to and from an investor(s) etc. are all useful and reduces the need for the FIU to formally request information, which further reduces the time it takes for the FIU to complete its analysis of a matter.

6. Submitting a STR via CaseKonnnect

6.1 Initial Guidance³

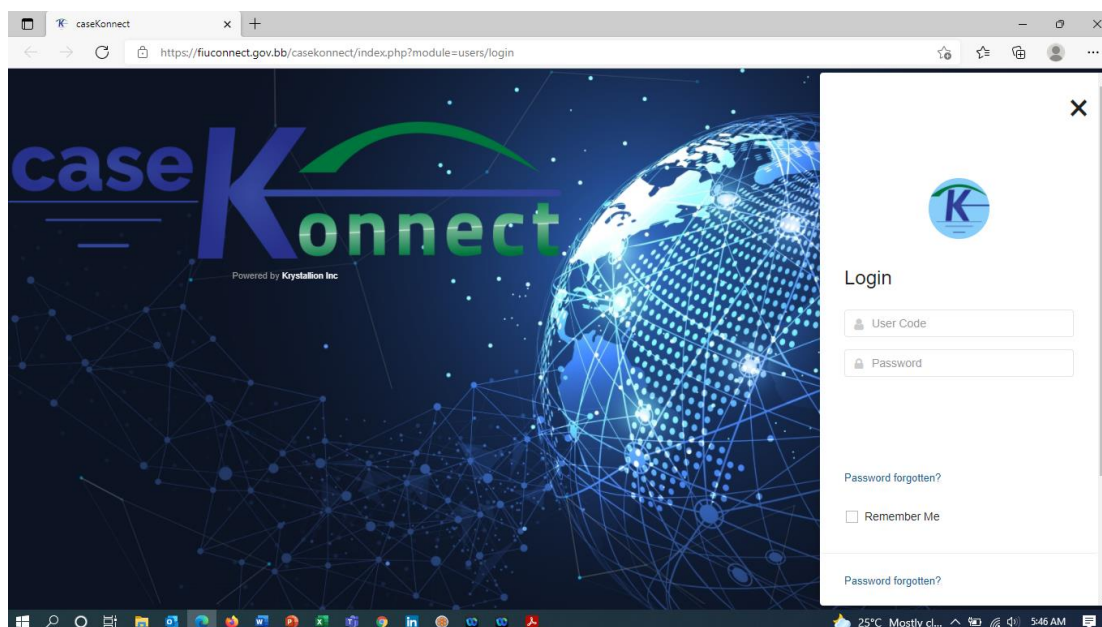
The caseKonnnect e-filing system allows for the submission of comprehensive information on all actors involved in or linked to an unusual transaction or suspicious activity. Users should therefore make full use of the specific tabs highlighted within the platform to ensure fulsome completion of the STR.

6.2 Log-In Details

Each reporting entity is required to register before contact the FIU for log-in credentials. In this regard, a formal letter is to be prepared and sent to **Director, FIU – caseKonnnect Credentials**.

The letter must identify identifying the MLROs/Compliance Officers who will be using the system and may be sent via e-mail. Upon receiving your login details, please proceed to <https://fiuconnect.gov.bb/casekonnnect/index.php?module=users/login>. Proceed to the right side of the screen and right click.

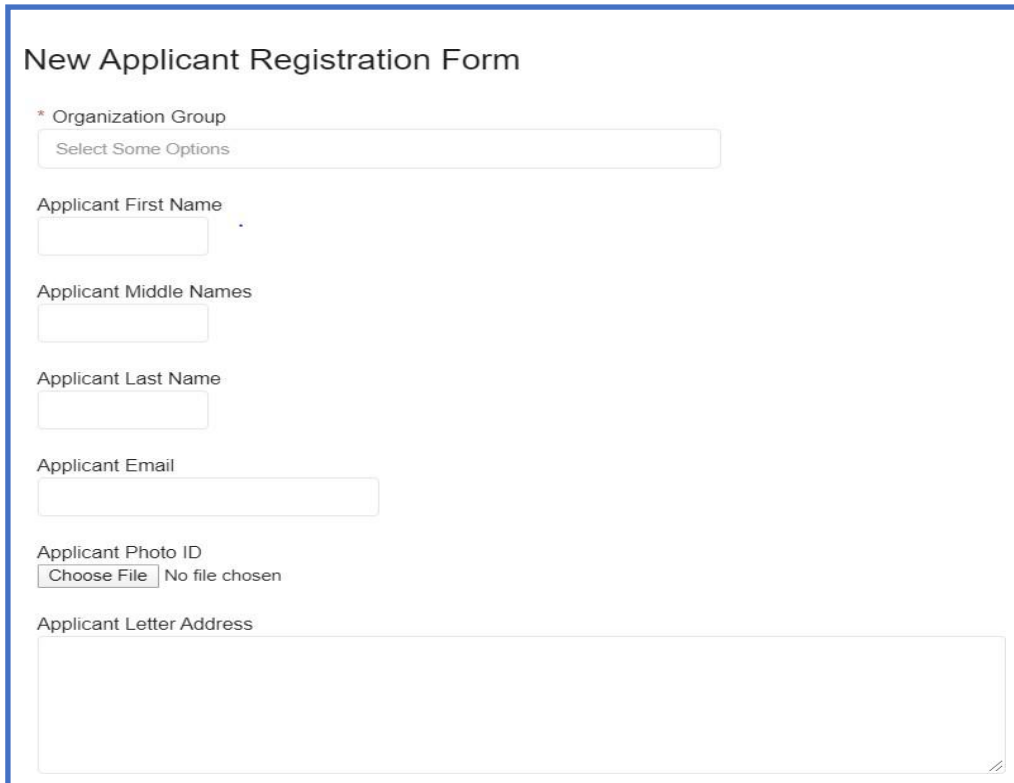
The login screen will appear as follows:



³ This section provides introductory instructions in the use of caseKonnnect. Comprehensive instructions will be forthcoming in a supplementary to this Guidance Note on January 31, 2022.

Login at the prompt and click on “New User Registration” tab.

You will see the following screen:



New Applicant Registration Form

* Organization Group

Applicant First Name

Applicant Middle Names


Applicant Last Name

Applicant Email

Applicant Photo ID
 No file chosen

Applicant Letter Address


You are to complete all of the information requested. Please note that some fields are mandatory, and you will not be able to proceed unless they are completed.

Date of Birth 

Institution

Telephone Number

Fax Number

Date of Application 

Attachments

Island

Field names that are not marked with an asterisk (*) must be completed if the data is known and left blank if unknown.

Once you submit your application, along with the necessary attachments (if necessary), the FIU will review it. Once it is approved, you will receive an email indicating that you are registered, and you will be provided with your USER PROFILE and a TEMPORARY PASSWORD.

6.3 Entering Information via CaseKconnect

Filing a STR requires information to be entered in multiple sections, in the following order:

- **Info** – this is a general overview of the STR
- **Person** – this relates to information on all persons that constitute the STR
- **Company** – this relates to information on all companies that constitute the STR; and
- **Monetary Value** – this relates to the value of all financial instruments used in the transaction (e.g. cash, cheques, wires). It also relates to the currency (s) used.

Each of the noted sections must be completed with the relevant information. Once this information is entered, the STR will be ready for filing.

7. How does the FIU use STRs?

STRs provide the FIU with important information that assists its team in the analysis, review and reporting on both operational and strategic intelligence. As such, a key outcome of the FIU's work is to provide a quality intelligence product to law enforcement agencies and supervisory

authorities in accordance with the domestic, regional and international reporting obligations of Barbados.

8. Confidentiality of STRs

Where a financial institution discloses information to the FIU concerning the proceeds of criminal conduct, the financing of terrorism, or information that is of a suspicious or unusual nature, such a disclosure does not constitute a breach of any confidentiality provisions by enactment or otherwise. An action, suit or proceeding does not lie against a financial institution, an officer, employee, or agent of the institution acting in the course of his or her employment or agency. (Section 48 (6) of MLFTA)

Except for the purposes of the administration and enforcement of the MLFTA, no person shall disclose any information that will identify or is likely to identify the person who prepared or made a STR or handled the transaction in respect of the STR. (Section 48 (7) of MLFTA)

Also, a person shall not be required to disclose a STR or any information contained therein or provided, or the identity of the person who prepared or made the STR or handled the transaction in respect of which the STR was made in any judicial proceeding unless the Judge or Magistrate, as the case may be, is satisfied that the disclosure of the information is necessary in the interest of justice. (Section 48 (8) of MLFTA)

9. Offence of Tipping Off

Reporting entities and their agents should be mindful of the offence of 'tipping off' as set out in Section 43 of the MLFTA. Where a person who knows or suspects that an investigation into money laundering or financing of terrorism has been, is being or about to be made, or that an order has been made by or maybe made requiring the delivery or production of any document and

- (a) divulges that fact or other information to another person whereby the investigation is likely to be prejudiced; or
- (b) falsifies, conceals, destroys or otherwise disposes of, or causes or permits the falsification, concealment, destruction or disposal of, any matter or thing that is or likely to be material to the investigation is guilty of an offence and is liable on summary conviction to a fine of \$50,000 or to imprisonment for 2 years or to both.

10. Indicators of Suspicious Transaction/Activity

Over the years, international bodies such as the Financial Action Task Force (FATF) and The Egmont Group, have identified various typologies and indicators of money laundering, terrorism financing and proliferation financing. Many indicators considered in isolation do not necessarily provide sufficient suspicion for meeting the threshold to report. Also of note is that the presence of an indicator does not necessarily mean that criminal activity has occurred. Likewise, the absence of an indicator does not mean that suspicious activity has not occurred.

If you observe one or more of the following indicators during the course of a business relationship, consideration should be given to conducting further enquiries to determine whether the activity observed meets the threshold for suspicion. Several indicators together, without a reasonable explanation, may provide a suitable basis for which the reporting entity may choose to file a STR.

Reporting entities should also have regard to the relevant sectoral guidance, red flags and warnings of suspicious transactions/activities published by Supervisory Authorities.

10.1 Industry-Specific Indicators

As a means of further support, the following industry-specific indicators may point to a suspicious or unusual transaction, whether completed or attempted/proposed. Depending on the services you provide, you may need to draw on information about indicators across multiple sections. For example, if you are a financial advisor, you might sell both life insurance products and securities products. The following lists are therefore provided for information purposes only and are not meant to be exhaustive.

10.1.1 Financial Institutions

The following indicators are for your consideration if you are an institution that opens accounts and/or holds deposits on behalf of individuals or entities.

Personal transactions

- Client appears to have accounts with several financial institutions in one geographical area;
- Client has no employment history but makes frequent large transactions or maintains a large account balance;
- The flow of income through the account does not match what was expected based on stated occupation of the account holder or intended use of the account;
- Client makes one or more cash deposits to general account of foreign correspondent bank (i.e., pass-through account);
- Client makes frequent or large payments to online payment services;
- Client runs large positive credit card balances;
- Client uses cash advances from a credit card account to purchase money orders or to wire/electronically transfer funds to foreign destinations;
- Client takes cash advance to deposit into savings or cheque account;
- Large cash payments for outstanding credit card balances;
- Client makes credit card overpayment and then requests a cash advance;
- Client visits the safety deposit box area immediately before making cash deposits;
- Client wishes to have credit and debit cards sent to international or domestic destinations other than his or her address;
- Client has numerous accounts and deposits cash into each of them with the total credits being a large amount;
- Client deposits large endorsed cheques in the name of a third-party;

- Client frequently makes deposits to the account of another individual who is not an employer or family member;
- Client frequently exchanges currencies;
- Client frequently makes automatic banking machine deposits just below the reporting threshold;
- Client's access to the safety deposit facilities increases substantially or is unusual in light of their past usage;
- Many unrelated individuals make payments to one account without rational explanation;
- Third parties make cash payments or deposit cheques to a client's credit card;
- Client gives power of attorney to a non-relative to conduct large transactions;
- Client has frequent deposits identified as proceeds of asset sales but assets cannot be substantiated;
- Client acquires significant assets and liquidates them quickly with no explanation;
- Client acquires significant assets and encumbers them with security interests that do not make economic sense;
- Client requests movement of funds that are uneconomical;
- High volume of wire/electronic transfers are made or received through the account.

The Central Bank of Barbados (CBB) and the Financial Services Commission (FSC) have each issued AML/CFT guidelines which also provide ML/TF indicators for the entities regulated and supervised by them. Licencees of the CBB and FSC should therefore also consult these documents for additional guidance.

10.1.2 Non-profit organizations (Including registered charities)

- Inconsistencies between the pattern or size of financial transactions and the stated purpose and activity of the organization;
- Inconsistencies between apparent modest sources of funds of the organization (e.g., communities with modest standard of living) and large amounts of funds raised
- Sudden increase in the frequency and amounts of financial transactions for the organization, or the inverse, that is, the organization seems to hold funds in its account for a very long period;
- Large and unexplained cash transactions by the organization;
- Absence of contributions from donors located in Barbados;
- The organization's directors are outside Barbados, particularly if large outgoing transactions are made to the country of origin of the directors and especially if that country is a high-risk jurisdiction;
- Large number of non-profit organizations with unexplained links;
- The non-profit organization appears to have little or no staff, no suitable offices or no telephone number, which is incompatible with their stated purpose and financial flows;
- The non-profit organization has operations in, or transactions to or from, high- risk jurisdictions

10.1.3 Electronic funds transfers (EFTs)

If you are involved in the business of electronic funds transfers (EFTs) or the remittance or transmission of funds, consider the following indicators.

- Client is reluctant to give an explanation for the remittance;
- Client orders wire/electronic transfers in small amounts in an apparent effort to avoid triggering identification or reporting requirements;
- Client transfers large sums of money to overseas locations with instructions to the foreign entity for payment in cash;
- Client receives large sums of money from an overseas location and the transfers include instructions for payment in cash;
- Client makes frequent or large funds transfers for individuals or entities that have no account relationship with the institution;
- Client receives frequent funds transfers from individuals or entities who have no account relationship with the institution;
- Client receives funds transfers and immediately purchases monetary instruments prepared for payment to a third party which is inconsistent with or outside the normal course of business for the client;
- Client requests payment in cash immediately upon receipt of a large funds transfer;
- Client instructs you to transfer funds abroad and to expect an equal incoming transfer.
- Immediately after transferred funds have been cleared, the client moves the funds to another account or to another individual or entity;
- Client shows unusual interest in funds transfer systems and questions the limit of what amount can be transferred;
- Client transfers funds to another country without changing the currency;
- Large incoming wire/electronic transfers from foreign jurisdictions are removed immediately by company principals;
- Client sends frequent wire/electronic transfers to foreign countries, but does not seem to have connection to such countries;
- Wire/electronic transfers are received from entities having no apparent business connection with client;
- Size of funds transfers is inconsistent with normal business transactions for that client;
- Rising volume of remittances exceeds what was expected from the client when the relationship was established;
- Several clients request transfers either on the same day or over a period of two to three days to the same recipient;
- Different clients request transfers that are all paid for by the same client;
- Several clients requesting transfers share common identifiers, such as family name, address or telephone number;
- Several different clients send transfers that are similar in amounts, sender names, test questions, free message text and destination country;
- A client sends or receives multiple transfers to or from the same individual;
- Stated occupation of the client or the client's financial standing is not in keeping with the level or type of activity (for example a student or an unemployed individual who receives or sends large numbers of wire/electronic transfers).
- Migrant remittances made outside the usual remittance corridors;

- Personal funds sent at a time not associated with salary payments;
- Country of destination for a wire/electronic transfer is not consistent with the nationality of the individual client;
- Client requests transfers to a large number of recipients outside Barbados who do not appear to be family members;
- Client does not appear to know the recipient to whom he or she is sending the transfer;
- Client does not appear to know the sender of the transfer from whom the transfer was received;
- Beneficiaries of wire/electronic transfers involve a large group of nationals of countries associated with terrorist activity;
- Client makes funds transfers to free trade zones that are not in line with the client's business;
- Client conducts transactions involving countries known as narcotic source countries or as trans-shipment points for narcotics, or that are known for highly secretive banking and corporate law practices.

10.1.4 Loans

If you are involved in the business of providing loans (including mortgages) or extending credit to individuals or corporations, consider the following indicators.

- Client suddenly repays a problem loan unexpectedly;
- Client makes a large, unexpected loan payment with unknown source of funds, or a source of funds that does not match what you know about the client;
- Client repays a long-term loan, such as a mortgage, within a relatively short time period;
- Source of down payment is inconsistent with borrower's background and income;
- Down payment appears to be from an unrelated third party;
- Down payment uses a series of money orders or bank drafts from different financial institutions;
- Client shows income from "foreign sources" on loan application without providing further details;
- Client's employment documentation lacks important details that would make it difficult for you to contact or locate the employer;
- Client's documentation to ascertain identification, support income or verify
- Employment is provided by an intermediary who has no apparent reason to be involved;
- Client has loans with offshore institutions or companies that are outside the ordinary course of business of the client;
- Client offers you large deposits or some other form of incentive in return for favourable treatment of loan request;
- Client asks to borrow against assets held by another financial institution or a third party, when the origin of the assets is not known;
- The loan transaction does not make economic sense (for example, the client has significant assets, and there does not appear to be a sound business reason for the transaction);

- Customer seems unconcerned with terms of credit or costs associated with completion of a loan transaction;
- Client applies for loans on the strength of a financial statement reflecting major investments in or income from businesses incorporated in countries known for highly secretive banking and corporate law and the application is outside the ordinary course of business for the client;
- Down payment or other loan payments are made by a party who is not a relative of the client.

10.1.5 Life insurance companies, brokers and agents

If you provide life insurance or annuities as your main occupation or as one of the many services that you offer, consider the following indicators. For insurance companies that provide loans.

- Client wants to use cash for a large transaction;
- Client proposes to purchase an insurance product using a cheque drawn on an account other than his or her personal account;
- Client requests an insurance product that has no discernible purpose and is reluctant to divulge the reason for the investment;
- Client who has other small policies or transactions based on a regular payment structure makes a sudden request to purchase a substantial policy with a lump sum payment;
- Client conducts a transaction that results in a conspicuous increase in investment contributions;
- Scale of investment in insurance products is inconsistent with the client's economic profile;
- Unanticipated and inconsistent modification of client's contractual conditions,
- Including significant or regular premium top-ups;
- Unforeseen deposit of funds or abrupt withdrawal of funds;
- Involvement of one or more third parties in paying the premiums or in any other matters involving the policy;
- Overpayment of a policy premium with a subsequent request to refund the surplus to a third party;
- Funds used to pay policy premiums or deposits originate from different sources;
- Use of life insurance product in a way that resembles use of a bank account, namely making additional premium payments and frequent partial redemptions;
- Client cancels investment or insurance soon after purchase;
- Early redemption takes place in the absence of a reasonable explanation or in a significantly uneconomic manner;
- Client shows more interest in the cancellation or surrender of an insurance contract than in the long-term results of investments or the costs associated with termination of the contract;
- Client makes payments with small denomination notes, uncommonly wrapped, with postal money orders or with similar means of payment;
- The first (or single) premium is paid from a bank account outside the country;

- Client accepts very unfavourable conditions unrelated to his or her health or age;
- Transaction involves use and payment of a performance bond resulting in a cross-border payment;
- Repeated and unexplained changes in beneficiary;
- Relationship between the policy holder and the beneficiary is not clearly established.

10.1.6 Money Services Businesses

If you are involved in the money services business, including foreign exchange dealers, money remitters, issuers of travelers' cheques consider the following indicators.

- Client requests a transaction at a foreign exchange rate that exceeds the posted rate;
- Client wants to pay transaction fees that exceed the posted fees;
- Client exchanges currency and requests the largest possible denomination bills in a foreign currency;
- Client knows little about address and contact details for payee, is reluctant to disclose this information, or requests a bearer instrument;
- Client wants a cheque issued in the same currency to replace the one being cashed;
- Client wants cash converted to a cheque and you are not normally involved in issuing cheques;
- Client wants to exchange cash for numerous postal money orders in small amounts for numerous other parties
- Client enters into transactions with counter parties in locations that are unusual for the client;
- Client instructs that funds are to be picked up by a third party on behalf of the payee;
- Client makes large purchases of travelers' cheques not consistent with known travel plans;
- Client makes purchases of money orders in large volumes;
- Client requests numerous cheques in small amounts and various names, which total the amount of the exchange;
- Client requests that a cheque or money order be made out to the bearer;
- Client requests that a large amount of foreign currency be exchanged to another foreign currency.

10.1.7 Accountants

If you are an accountant, consider the following indicators when you are carrying out certain activities on behalf of your client.

- Client appears to be living beyond his or her means;
- Client has cheques inconsistent with sales (i.e., unusual payments from unlikely sources);
- Client has a history of changing bookkeepers or accountants yearly;
- Client is uncertain about location of company records;

- Company carries non-existent or satisfied debt that is continually shown as current on financial statements;
- Company has no employees, which is unusual for the type of business;
- Company is paying unusual consultant fees to offshore companies;
- Company records consistently reflect sales at less than cost, thus putting the company into a loss position, but the company continues without reasonable explanation of the continued loss;
- Company shareholder loans are not consistent with business activity;
- Examination of source documents shows misstatements of business activity that cannot be readily traced through the company books;
- Company makes large payments to subsidiaries or similarly controlled companies that are not within the normal course of business;
- Company acquires large personal and consumer assets (i.e., boats, luxury automobiles, personal residences and cottages) when this type of transaction is inconsistent with the ordinary business practice of the client or the practice of that particular industry;
- Company is invoiced by organizations located in a country that does not have adequate money laundering laws and is known as a highly secretive banking and corporate tax haven.

Please also consult the AML/CFT guidelines for Accountants issued by the Compliance Unit – Barbados Anti Money Laundering Authority.

10.1.8 Real Estate Agents

If you are in the real estate industry, consider the following indicators when you act as an agent in the purchase or sale of real estate.

- Client arrives at a real estate closing with a significant amount of cash;
- Client purchases property in the name of a nominee such as an associate or a relative (other than a spouse);
- Client does not want to put his or her name on any document that would connect him or her with the property or uses different names on offers to purchase, closing documents and deposit receipts;
- Client inadequately explains the last-minute substitution of the purchasing party's name;
- Client negotiates a purchase for market value or above asking price, but records a lower value on documents, paying the difference "under the table".
- Client sells property below market value with an additional "under the table" payment;
- Client pays initial deposit with a cheque from a third party, other than a spouse or a parent;
- Client pays substantial down payment in cash and balance is financed by an unusual source or offshore bank;
- Client purchases personal use property under corporate veil when this type of transaction is inconsistent with the ordinary business practice of the client;
- Client purchases property without inspecting it;

- Client purchases multiple properties in a short time period, and seem to have few concerns about the location, condition, and anticipated repair costs, etc. Of each property;
- Client pays rent or the amount of a lease in advance using a large amount of cash;
- Client is known to have paid large remodeling or home improvement invoices with cash, on a property for which property management services are provided;
- Client insists on providing signature on documents by fax only;
- Client buys back a property that he or she recently sold.

Please also consult the AML/CFT guidelines for the Real Estate sector issued by the Compliance Unit – Barbados Anti Money Laundering Authority.

10.1.9 Dealers in Jewelry, Precious Metals and Stones

If you are a dealer in jewelry sector, precious metals and stones you may consider the following indicators:

- Unusual payment methods, such as the use of large amounts of cash, multiple or sequentially numbered money orders, travelers' checks, or cashier's checks, or payment from unknown third parties;
- Unwillingness by a customer or supplier to provide complete or accurate contact information, financial references, or business affiliations;
- Attempts by a customer or supplier to maintain a high and unusual degree of secrecy with respect to the transaction, such as a request that normal business records not be kept;
- Purchases or sales that are unusual for the particular customer or supplier or type of customer or supplier;
- Purchases or sales that are not in conformity with standard industry practice. For example, one money laundering scheme observed in this industry involved a customer who ordered items, paid for them in cash, cancelled the order, and then received a large refund.

Please also consult the AML/CFT guidelines for the Jewelry, Precious Metals and Stones sector issued by the Compliance Unit – Barbados Anti Money Laundering Authority.

10.1.10 Betting and Gaming Establishments

If you are engaged in the betting and gaming business, consider the following indicators:

- Any betting and gaming transaction where an individual receives payment in cheques drawn on the betting and gaming establishment and made out to third parties or without a specified payee;
- Client requests a winnings cheque in a third party's name;
- Acquaintances bet against each other in even-money games and it appears that they are intentionally losing to one of the parties;
- Client attempts to avoid the filing of a report for cash by breaking up the transaction
- Client requests cheques that are not for gaming winnings;

- Client enquires about opening an account with the betting and gaming establishment and the ability to transfer the funds to other locations when you do not know the client as a regular, frequent or large volume player;
- Client purchases large volume of chips with cash, participates in limited betting and gaming activity with the intention of creating a perception of significant gambling, and then cashes the chips for a cheque drawn on the betting and gaming establishment;
- Client puts money into slot machines and claims accumulated credits as a jackpot win;
- Client exchanges small denomination bank notes for large denomination bank notes, chip purchase vouchers or cheques;
- Client is known to use multiple names;
- Client requests the transfer of winnings to the bank account of a third party or a known drug source country or to a country where there is no effective anti-money-laundering system.

Please also consult the AML/CFT guidelines for the Betting and Gaming industry issued by the relevant Competent Authority.

10.1.11 Legal Professionals

- The client is overly secret or evasive about:
 - who is the ultimate beneficial owner;
 - where the money is coming from;
 - why they are doing this transaction this way or what the big picture is.
- The Client
 - is using any legal professional or intermediary without good reason
 - is actively avoiding personal contact without good reason
 - is reluctant to provide or refuses to provide information, data and documents usually required in order to enable the transaction's execution
 - holds or has previously held a public position (political or high-level professional appointment) or has professional or family ties to such an individual and is engaged in unusual private business given the frequency or characteristics involved.
 - provides false or counterfeited documentation
 - is a business entity which cannot be found on the internet and/or uses an email address with an unusual domain part such as Hotmail, Gmail, Yahoo etc., especially if the client is otherwise secretive or avoids direct contact.
 - is known to have convictions for acquisitive crime, known to be currently under investigation for acquisitive crime or have known connections with criminals
 - is or is related to or is a known associate of a person listed as being involved or suspected of involvement with terrorist or terrorist financing related activities.
 - shows an unusual familiarity with respect to the ordinary standards provided for by the law in the matter of satisfactory customer identification, data entries and suspicious transaction reports – that is – asks repeated questions on the procedures for applying the ordinary standards.

- The Parties:
 - The parties or their representatives (and, where applicable, the real owners or intermediary companies in the chain of ownership of legal entities), are native to, resident in or incorporated in a high-risk country
 - The parties to the transaction are connected without an apparent business reason.
 - The ties between the parties of a family, employment, corporate or any other nature generate doubts as to the real nature or reason for the transaction.
 - There are multiple appearances of the same parties in transactions over a short period of time.
 - The age of the executing parties is unusual for the transaction, especially if they are under legal age, or the executing parties are incapacitated, and there is no logical explanation for their involvement.
 - There are attempts to disguise the real owner or parties to the transaction.
 - The person actually directing the operation is not one of the formal parties to the transaction or their representative.
 - The natural person acting as a director or representative does not appear a suitable representative.
 - The transaction involves a disproportional amount of private funding, bearer cheques or cash, especially if it is inconsistent with the socio-economic profile of the individual or the company's economic profile.
 - The client or third party is contributing a significant sum in cash as collateral provided by the borrower/debtor rather than simply using those funds directly, without logical explanation. The source of funds is unusual:
 - Third party funding either for the transaction or for fees/taxes involved with no apparent connection or legitimate explanation;
 - Funds received from or sent to a foreign country when there is no apparent connection between the country and the client;
 - Funds received from or sent to high-risk countries.
 - The client is using multiple bank accounts or foreign accounts without good reason;
 - Private expenditure is funded by a company, business or government;
 - Selecting the method of payment has been deferred to a date very close to the time of notarization, in a jurisdiction where the method of payment is usually included in the contract, particularly if no guarantee securing the payment is established, without a logical explanation;
 - An unusually short repayment period has been set without logical explanation;
 - Mortgages are repeatedly repaid significantly prior to the initially agreed maturity date, with no logical explanation;
 - The asset is purchased with cash and then rapidly used as collateral for a loan;
 - There is a request to change the payment procedures previously agreed upon without logical explanation, especially when payment instruments are suggested which are not appropriate for the common practice used for the ordered transaction;
 - Finance is provided by a lender, either a natural or legal person, other than a credit institution, with no logical explanation or economic justification;

- The collateral being provided for the transaction is currently located in a high-risk country;
 - There has been a significant increase in capital for a recently incorporated company or successive contributions over a short period of time to the same company, with no logical explanation;
 - There has been an increase in capital from a foreign country, which either has no relationship to the company or is high risk;
 - The company receives an injection of capital or assets in kind which is notably high in comparison with the business, size or market value of the company performing, with no logical explanation;
 - There is an excessively high or low price attached to the securities transferred, with regard to any circumstance indicating such an excess (e.g., volume of revenue, trade or business, premises, size, knowledge of declaration of systematic losses or gains) or with regard to the sum declared in another operation;
 - Large financial transactions, especially if requested by recently created companies, where these transactions are not justified by the corporate purpose, the activity of the client or the possible group of companies to which it belongs or other justifiable reasons.
- The choice of lawyer:
 - Instruction of a legal professional at a distance from the client or transaction without legitimate or economic reason.
 - Instruction of a legal professional without experience in a particular specialty or without experience in providing services in complicated or especially large transactions.
 - The client is prepared to pay substantially higher fees than usual, without legitimate reason.
 - The client has changed advisor a number of times in a short space of time or engaged multiple legal advisers without legitimate reason.
 - The type of operation being notarized is clearly inconsistent with the size, age, or activity of the legal entity or natural person acting.
 - The required service was refused by another professional or the relationship with another professional was terminated.
 - Nature of the retainer: -
 - The transaction is unusual in circumstances:*
 - Due to its size, nature, frequency, or manner of execution
 - Where there are remarkable and highly significant differences between the declared price and the approximate actual values in accordance with any reference which could give an approximate idea of this value or in the judgement of the legal professional
 - Where a non-profit organisation requests services for purposes or transactions not compatible with those declared or not typical for that body.
 - The client:*
 - is involved in transactions which do not correspond to his normal professional or business activities

- shows he does not have a suitable knowledge of the nature, object or the purpose of the professional performance requested
- wishes to establish or take over a legal person or entity with a dubious description of the aim, or a description of the aim which is not related to his normal professional or commercial activities or his other activities, or with a description of the aim for which a licence is required, while the customer does not have the intention to obtain such a licence
- frequently changes legal structures and/or managers of legal persons
- asks for short-cuts or unexplained speed in completing a transaction
- appears very disinterested in the outcome of the retainer
- requires introduction to financial institutions to help secure banking facilities
- Creates complicated ownership structures when there is no legitimate or economic reason.

Other Considerations

- Involvement of structures with multiple countries where there is no apparent link to the client or transaction, or no other legitimate or economic reason.
- Incorporation and/or purchase of stock or securities of several companies, enterprises or legal entities within a short period of time with elements in common (one or several partners or shareholders, director, registered company office, corporate purpose etc.) with no logical explanation.
- There is an absence of documentation to support the client's story, previous transactions, or company activities.
- There are several elements in common between a number of transactions in a short period of time without logical explanations.
- Back-to-back property transactions, with rapidly increasing value or purchase price.
- Abandoned transactions with no concern for the fee level or after receipt of funds.
- There are unexplained changes in instructions, especially at the last minute.
- The retainer exclusively relates to keeping documents or other goods, holding large deposits of money or otherwise using the client account without the provision of legal services.
- There is a lack of sensible commercial/financial/tax or legal reason for the transaction.
- There is increased complexity in the transaction or the structures used for the transaction which results in higher taxes and fees than apparently necessary.
- A power of attorney is sought for the administration or disposal of assets under conditions which are unusual, where there is no logical explanation.
- Investment in immovable property, in the absence of any links with the place where the property is located and/ or of any financial advantage from the investment.
- Litigation is settled too easily or quickly, with little/no involvement by the legal professional retained.
- Requests for payments to third parties without substantiating reason or corresponding transaction.

Please also consult the AML/CFT guidelines for legal professionals and law firms issued by the Compliance Unit – Barbados Anti Money Laundering Authority.

10.1.12 Virtual Asset Service Providers⁴

Virtual asset service providers are obligated to file a STRs where appropriate. The following are indicators that persons providing virtual asset services, or doing business with those involved in virtual assets, should be aware of:

- User shows uncommon curiosity about an exchange's internal systems, controls and policies.
- The purpose of the user maintaining an account with the exchange is unclear, as the account appears dormant and the user is not utilizing platform features.
- User does not provide information upon request.
- User fails to provide supporting documentation or provides misleading or inaccurate information regarding source use and destination of funds.
- User provides misleading or inaccurate information regarding the purpose of transaction and relationship to a counterparty.
- User logins are from an IP address that appears to be connected to a VPN and/or The Onion Router (Tor) or similar IP anonymizers.
- User receives frequent deposits from gambling sites/cryptocurrency addresses followed by immediate withdrawals.
- User is operating as or conducting transactions with charitable organizations/nonprofits who accept cryptocurrency or fiat.
- There are frequent changes in the user's identification information, such as a home address, email address, IP address or linked bank accounts.
- Paying and/or willingness to pay high commission fees for converting (selling) cryptocurrency in exchange for fiat compared to commission fees charged by other cryptocurrency exchanges.
- User is stating they obtained and/or sold a large value of cryptocurrency for cash with an unknown third party.
- Source of funds is from an exchange, which has been connected to money laundering, or which regulatory authorities or law enforcement has shut down (e.g., BTC-e.com).
- User abandons account and account balance when supporting documentation and/or KYC information was requested.
- Outgoing funds are sent to newly created and never used cryptocurrency addresses.
- A registered account has an encrypted email or temporary email service (e.g., protonmail.com or tutanota.com).

⁴ <https://www.acamstoday.org/virtual-assets-calibrating-the-compass-of-suspicion/> ; FinCEN Advisory FIN-2019- A003, Advisory on illicit Activity Involving Convertible Virtual Currency, May 9th, 2019: <https://www.fincen.gov/sites/default/files/advisory/2019-05-10/FinCEN%20Advisory%20CVC%20FINAL%20508.pdf>

- Funds are deposited from or withdrawn to cryptocurrency address with direct/indirect links to known suspicious sources such as darknet marketplaces, mixing services, gambling sites, service providers, wallets known to be involved in illegal activities, and/or theft or ransomware reports.
- The funds in a user account have been reported stolen or otherwise reported to have been obtained illegally.
- User is associated or connected to an Initial Coin Offering (ICO) that has shut down after the funds were raised, e.g., exit/Ponzi Scheme.
- Cryptocurrency is deposited and funds are withdrawn in fiat currency, with no other use of the platform.
- User conducts trades in a way that creates a negative balance or reduces the equity in one account, to increase equity or create a positive balance in another account operated by the same user.
- User funds their fiat account consistent with structuring in the remitting jurisdiction, e.g., in multiples of less than \$10,000.
- User conducts a high volume of “off-chain” (internal transactions) with other platform users, which is consistent with attempting to obscure origins of funds or conducting an illicit activity.
- A customer’s address appears on public forums associated with illegal activity.
- Blockchain analytics indicate that the wallet transferring convertible virtual currency to the exchange has a suspicious source or sources of funds, such as a darknet marketplace.
- A transaction makes use of mixing and tumbling services, suggesting an intent to obscure the flow of illicit funds between known wallet addresses and darknet marketplaces.

11. Indicators of Proliferation Financing⁵

- Transaction involves a person or entity in a foreign country of proliferation concern.
- Transaction involves person or entity in a foreign country of diversion concern.
- The customer or counter-party or its address is similar to one of the parties found on publicly available lists of “denied persons” or has a history of export control contraventions.
- Customer activity does not match the business profile, or end-user information does not match the end-user’s business profile.
- A freight forwarding firm is listed as the product’s final destination.
- Order for goods is placed by firms or persons from foreign countries other than the country of the stated end-user.

⁵ Pgs. 32 – 34 of FATF Guidance on Counter Proliferation Financing: The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction, February 2018 - <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Countering-Proliferation-Financing.pdf>

- Transaction involves the shipment of goods incompatible with the technical level of the country to which it is being shipped, (e.g., semiconductor manufacturing equipment being shipped to a country that has no electronics industry).
- Transaction involves possible shell companies (e.g., companies do not have a high level of capitalisation or displays other shell company indicators).
- Transaction demonstrates links between representatives of companies exchanging goods i.e., same owners or management.
- Circuitous route of shipment (if available) and/or circuitous route of financial transaction.
- Trade finance transaction involves shipment route (if available) through a country with weak export control laws or weak enforcement of export control laws.
- Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
- Transaction involves the shipment of goods inconsistent with normal geographic trade patterns (e.g., does the country involved normally export/import good involved?).
- Transaction involves financial institutions with known deficiencies in AML/CFT controls and/or domiciled in countries with weak export control laws or weak enforcement of export control laws.
- Based on the documentation obtained in the transaction, the declared value of the shipment was obviously under-valued vis-à-vis the shipping cost.
- Inconsistencies in the information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc.
- Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.
- Customer vague/incomplete on information it provides, resistant to providing additional information when queried.
- New customer requests letter of credit transaction awaiting approval of the new account.
- Wire instructions or payment from or due to parties not identified on the original letter of credit or other documentation.
- Involvement of items controlled under Weapons of Mass Destruction export control regimes or national control regimes.
- Involvement of a person connected with a country of proliferation concern (e.g., a dual-national), and/or dealing with complex equipment for which he/she lacks technical background.
- Use of cash or precious metals (e.g., gold) in transactions for industrial items.
- Involvement of a small trading, brokering or intermediary company, often carrying out business inconsistent with their normal business.
- Involvement of a customer or counter-party, declared to be a commercial business, whose transactions suggest they are acting as a money-remittance business.
- Transactions between companies based on “ledger” arrangements that obviate the need for international financial transactions.
- Customers or counterparties to transactions are linked (e.g., they share a common physical address, IP address or telephone number, or their activities may be coordinated).
- Involvement of a university in a country of proliferation concern.

- Description of goods on trade or financial documentation is nonspecific, innocuous or misleading.
- Evidence that documents or other representations (e.g., relating to shipping, customs, or payment) are fake or fraudulent.
- Use of personal account to purchase industrial items.

12. Sanctions List Matters

From time to time the United Nations updates its Consolidated List of individuals and entities that are subject to measures imposed by Resolution of its Security Council. These measures, or sanctions, are aimed at the prevention and suppression of terrorism, terrorist financing and the proliferation of weapons of mass destruction and their financing.

Under the Anti-Terrorism and Counter Proliferation of Weapons of Mass Destruction Act 2002 Cap 158, Barbados can also designate persons as terrorists or as terrorist entities.

The FIU and relevant Competent Authorities will disseminate immediately any updates to the UN Security Council (UNSC) Consolidated List (and to domestic lists, if any) against which financial institutions and DNFBPs must screen customers/clients, including beneficial owners. Additionally, all lists will also be placed on the websites of the FIU and Competent Authorities.

If you determine that

- a. your customer features on the UNSC Consolidated List or any domestic list; or
- b. your customer is dealing with any person or entity from the noted lists; or
- c. you have accounts owned or controlled by or on behalf of anyone on the noted lists,

You must

- a. **REPORT** the matter immediately, to the FIU using the STR; and
- b. Complete and submit, immediately, to the FIU and your regulatory authority, the TF/PF Asset Freeze Report (AFR) Form either electronically or manually.

For detailed information on handling the UNSC Consolidated Lists/updates and related matters, please refer to the Guideline on Targeted Financial Sanctions for Financial Institutions and Designated Non-Financial Business Entities and Professionals published by your Supervisory Authority.

Appendix 1: Examples of Fulsome and Insufficient STR Narratives

The FIU has reviewed its STR database to identify STRs submitted in the past that contained sufficient and complete narratives, as well as those which did not meet our expectations for well-constructed narratives. Where necessary, some information contained in these STRs has been redacted to maintain confidentiality. In other cases, the STR has been enhanced for demonstration purposes.

Still, in other cases, and again for demonstration purposes, the FIU has constructed its own examples of STRs which meet or do not meet the high-quality criteria.

Examples of Fulsome STR Narratives

STR No. 1 (Bank)

On (date provided), Individual D approached the Customer Service Representative (CSR) to make a cash deposit of \$6,200.00, comprising small denominations. Individual D then requested withdrawal of an amount similar to the funds deposited, but in larger denominations. Individual D informed that funds were from the sale of a vehicle. However, no supporting documentation was provided to substantiate the purported sale.

A few days later Individual D returned with \$7,100.00; once again, comprising mostly small denominations. Individual D requested that the funds be changed into hundred-dollar bills. The CSR informed Individual D that the declaration of source of funds (DSF) form would have to be completed for the funds being deposited. However, this request was refused by Individual D, who then enquired about the amount of funds which could be deposited without having to complete the DSF form. Consequently, the sum of \$3,600.00 was deposited and similar amount immediately withdrawn in the denomination requested. During the client engagement process Individual D mentioned that the money was from (occupation stated).

A review of Individual D's account revealed that on previous occasions cash was deposited to his account and immediately withdrawn in larger bills - (the dates and amounts of these withdrawals were listed).

A review of the onboarding documents for Individual D indicated the profession was (profession stated). This was different to what was indicated during the interface with Individual D when he refused to complete the DSF form.

Individual D's actions of depositing cash and immediately withdrawing a similar and equal amount in higher denominations seems unusual and is not supported by any known rationale. In addition, his query of the amount that would exempt him from completing a DSF is also highly suspicious.

FIU Comments on STR No. 1

1. The reporting entity paints an adequate picture of the events leading up to the filing of the STR;
2. The reporting entity clearly states the reasons for filing the STR; i.e.
 - a. due to the unusual method of depositing/immediate withdrawal of funds in a higher denomination;
 - b. failing to provide information regarding the sale of vehicle.
3. The reporting entity explains the investigation undertaken post client-interaction in support of the filing of the STR. Conducting a review of the account enables the MLRO to establish whether there is a historical pattern to the client's behaviour thus enhancing the quality of the STR.

STR No. 2 (Bank)

Based on a review of Individual N's account and customer file, the cash deposits being made do not correspond with the occupation noted in our files.

Individual N is currently employed as a gas station attendant earning a gross weekly salary of \$550.00. However, during the period (time period mentioned) cash deposits totaling (total mentioned) were made to the account along with a cheque for (amount stated) issued by (entity identified). In addition, Individual N also received wire transfers for the period (time period detailed) totaling \$4,600.00. A list of the selected transactions of the mentioned account is attached.

The Bank considers the cash transactions processed to the account to be inconsistent with the client's stated occupation. The bank is also concerned about the pattern in which the deposits are being made.

FIU Comments on STR No. 2:

1. Although the reporting entity has explained the rationale for filing the STR, there is no coherence to the submission:
 - a. There are three monetary instruments identified in the report: cash, a cheque and wire transfer (s). The amount of funds per instrument is also captured. Yet, there appears to be only concern with the cash elements. Is this really the case? Or, is it the overall activity on the account when matched against the client's occupation, that is of concern?
 - b. Attention to the language used is important to avoid ambiguity. A revised introduction might therefore read: -

Based on a review of Individual N's account and customer file, the ACTIVITY on the account does not correspond with the occupation noted on record.

2. The report could also be boosted by a comment such as “there is no indication as to whether the client has an additional source of income, unknown to us” or similar. This would be useful to demonstrate that the FI has considered exogenous factors in its analysis.
3. The provision of supporting documentation adds value to the STR.

STR No. 3 (Foreign Currency Earning Bank)

Customer JG is an entity incorporated on (date given) in (named offshore jurisdiction). JG was referred to the Bank through a foreign-based, high quality international corporate trust and services provider (CTSP). JG dealt directly with the CTSP, with the latter ensuring the completion of the Bank's KYC documentation, as well as other legal mandates and agreements and forwarding same to the Bank.

JG's accounts were established with the Bank on (date provided), a few months after its incorporation in (named offshore jurisdiction) with individual ZB listed as its beneficial owner. The stated purpose of the account is to support JG's business operations and investment activities. Among the investment activities identified are the holding of shares of operating companies which provide various services (services listed in detail). The source of initial funds is stated as proceeds of inheritance.

In terms of the frequency of activity, an estimated 15 incoming and 15 outgoing transactions each of USD 2.0M -7.0 M is anticipated on an annual basis.

The source of incoming transactions was indicated to be from the client's account held at a top tier US financial institution with outgoing levels said to be depending on business activity. The Bank's search of on-line databases and other checks did not yield untoward information.

In the same month within which JG opened its account with the Bank, JG received close to USD 7M, immediately capping its stated annual expected activity levels. The funds were in relation to part settlement of a larger invoice of close to three times the amount initially received, involving an entity unknown to the Bank and an associated company of the Bank's Customer JG, of Middle Eastern origin.

Beneficial owner ZB informed the Bank that additional funds relating to the full settlement of the invoice would be forthcoming from the said Middle-East based associated company for onward transmission to JG's account in (named offshore jurisdiction) in which JG was incorporated.

The Bank believes ZB's intention is to leverage the Bank's facilities (i.e. through JG) for tax avoidance purposes. This belief is borne out further, after scrutinizing documentation requested in support of the transactions.

It is therefore on this basis that a STR is being filed. Moreover, the Bank has determined it will return all related funds and terminate the relationship.

FIU Comments on STR No. 3

The financial institution has taken the time to clearly map out its case culminating with its own identification of the unusual and/or suspicious activity and the possible predicate offence.

STR No. 4 (Credit Union)

On (date stated) individual CC visited the Credit Union to obtain the balance of (amount stated) on the account of the Credit Union's member JK (JK's account number is also stated). CC bore a general Power of Attorney (POA) which had been made on (date stated) by JK.

It appears that JK is currently incarcerated based on the details of the POA, the witness' signature and the Credit Union's engagement of the relevant professional intermediary (PI). The transaction was not allowed at the time pending the Credit Union's review of the document and discussion with PI.

The Credit Union realized that the signature on the ID card as captured in the Credit Union's computer system did not match JK's signature on the POA. PI advised she was informed that her client was injured and further that the matter of her client's signature was inconsequential. The Credit Union advised PI that an Affidavit would be required before proceeding. PI advised this would be obtained but to date the document has not been forthcoming.

The circumstances surrounding the POA appear unusual in light of the fact that no information was freely given with respect to our Member's (JK) injury. Additionally, PI stated that, apart from her personal familiarity with the member, she was also familiar with the individual CC who initially presented the POA. PI also indicated that JK had further advised her that after CC received the funds on the account to cancel the POA and to prepare a new one, this time in favour of a close relative of JK.

In light of the information relayed, the circumstances appear more unusual and hence a decision taken to file the STR.

FIU Comments on STR No. 4

The financial institution has taken the time to clearly map out its case culminating with its own identification of the unusual and/or suspicious activity and the possible predicate offence.

STR No. 5 (Credit Union)

The Credit Union currently completes declaration forms on deposits of \$XXXX.00 and over. On (date stated) this member entered the (branch location stated) to deposit cash of \$XXXX.00 just under the reporting threshold and on December (date stated) cash of \$XXXX.00 just under the reporting threshold, both to her (special high-interest bearing account stated) and on December (date stated) the member deposited another \$XXXX.00 in cash to (special high-interest bearing account stated). The member has not made any significant deposits to these accounts over the last two years. Activity is outside of recent deposit. The Credit Union believes this may be a case of structuring to avoid reporting.

FIU Comments on STR No. 5

1. The concise narrative adequately reflects what occurred on the various dates and highlights the amount of funds involved;
2. The comparison of present activity against the account's history shows the reporting entity has done its own research in support of its reason for filing the STR.

STR 6 (Finance Company)

Our client FP, a resident of (stated overseas location) held a term deposit of (amount stated) which matured on (dated stated). Some weeks before maturity, FP sent correspondence requesting closure of the account at maturity and transfer of the accumulated funds to his account at another financial institution. The account was closed on maturity date, as instructed, the cumulative funds transferred via wire.

Within a month of closing his account FP visited the office to query the possibility of re-investing the funds since the property sale in which he was interested was cancelled. During his interaction with staff, he also queried if he could add (amount stated) to the new deposit account which was interest from the same deposit that had been paid monthly to his account at the other financial institution. The client was given the option of a special call account however, he opted to open a new term deposit.

The client was informed it would be necessary to favor submit additional details and also submit new documentation including a source of funds form and a bank statement. The client was amendable to these requirements. The new deposit was subsequently approved and opened for (period stated along with interest payable and frequency thereof)

Within two weeks of opening his new deposit FP visited the office again advising that he found another property in which he was interested and which required a down-payment.

FP informed he wished to close his account again and have the funds transferred to the same account held at the other financial institution. Although the early closure of the account required the levying of an interest penalty there was no objection by FP. The deposit was therefore closed on (date stated) and funds remitted in accordance with the client's wishes.

Given the unusual nature of these recent operations pertaining to this client the company is reporting these transactions for your attention.

FIU Comments on STR No. 6

The reporting entity does well to convey the facts underlying the unusual nature of the transaction providing important information in relation to, among other things:

- a. The dates of engagement and/or the timelines involved; and
- b. The client's reaction to new protocol requirements and/or charges in light of the changes requested.

Examples of Insufficient STR Narratives

STR No. 1 (Bank)

Individual R and business partners are interested in investing in a project Z. To date they have not completed know your customer (KYC) or (provided) any information necessary to conduct a background check. No personal information on any of the parties has been obtained.

Individual R has indicated that the requested KYC information will be provided after the contracts have been signed for the commencement of project Z.

FIU Comments on STR No. 1

1. Why is the STR being filed?
2. The STR filing does not provide any dates of interaction or verifiable details on the parties involved. For example:
 - a. Is Individual R an account holder?
 - i. If so, what type of business is she/the company involved in?
 - ii. What is the balance(s) on the account(s)?
 - b. On what date did the parties approach the financial institution?
 - i. Was the approach in person, on the premises, or;
 - ii. Was the approach via telephone or other means?
 - c. Were parties provided with documentation for completion, off-site?
 - d. What type of project is envisaged?
3. Some of the information is repetitive. Such “fluff” should be avoided to ensure the most essential information is conveyed to the FIU.

STR No. 2 (Bank)

The client, Individual E, owns a business (Business X) involved in (nature of business is stated).

Copies of the most recent financial statements for the business were requested, however the Bank received an unaudited balance sheet and income statement for the prior year, and an annual return for (year stated). The Bank is unable to determine if this level of transaction is consistent with Individual E’s earnings. No request was made of Individual E to provide source of funds or bank statements.

FIU Comments on STR No. 2

1. There is no stated reason for filing the STR;
2. The STR is not properly structured;
3. The language of the STR conveys the impression that the financial institution does not know its client, an important precursor to preparing and submitting a quality STR;
4. The FI points to weaknesses in its own due diligence procedures, which may attract regulatory scrutiny.

STR No. 3 (Foreign Currency Earning Bank)

International news reports relating to Individual T, a business associate of the Bank's client Individual Q, prompted an internal disclosure from our wealth management team.

On (date given) Individual T, was arraigned before a foreign Court on charges of racketeering, money laundering and conspiracy to commit fraud. Individual T plead guilty to all charges. This information was confirmed via a World-Check database review. The article and related information are attached. Further information may be found at (URL link provided).

In light of the connection the Bank's client and in an effort to mitigate regulatory and associated risks, The Bank took the opportunity to review the client's accounts since the time of on-boarding in August 2011.

Up to the end of August 2020 transactions on the accounts, though of high volume for brief periods, did not appear inconsistent with the purpose of the account (s).

FIU Comments on STR No. 3:

1. Although painting a picture of circumstances surrounding Individual T (who is not a client of the FI), there is no stated purpose for submitting the STR;
2. The financial institution has not provided the following
 - i. biographic details on Individual Q;
 - ii. information relating to the company (s) in which Individual Q has interest
 - iii. the nature of the business thereof (at ii above).

STR No. 4 (Credit Union)

The Credit Union's client AL, is an upstanding member of the legal profession who has been with the organisation for over 20 years. The Member's shares and deposit balances have showed steady increase over time and all loans (mortgage, vehicle, travel etc. have either been repaid in full or continue to be service adequately. See copies of transaction history attached.

The Credit Union believes the steady increase over time as noted is not inconsistent with the growth of the member's practice since the time of their being on-boarded. In fact, despite some cases of larger than usual deposits - which the Credit Union has been able to account for either through consultation with the Member or its own research/investigation, the Member has conducted their affairs to the Credit Union's satisfaction.

However, in the past three months (June to August 2020), the Member has refused to declare the source of funds for deposits of \$9,230.00, \$11,432.25 and 13,042.30. On two of these occasions the Member angrily retrieved sufficient funds to bring the deposit under our threshold of \$XXXX.00 citing at one time "... by now you should know where my money comes from," according to our Member Services Agent.

This matter is being drawn to your attention given the Member's lack of compliance with the Credit Union's requirements.

FIU Comments on STR No. 4:

1. Though fulsome in narrative, the STR is insufficient in its conveyance of anything other than a problem with the client's adherence to institutional procedures.
2. Breaches of a financial institution's AML/CFT protocols is a matter to be handled internally, by the financial institution and not externally, by the Financial Intelligence Unit.

STR No. 5 (Corporate Service Provider)

This report is being submitted on the grounds that company XXX has not complied with their corporate responsibilities in Barbados and also due to the lack of adherence to being compliant with regards to the submission of KYC documentation. Therefore, due to the noted circumstances the company has been "STRUCK OFF" by (Name of Public Sector agency stated).

FIU Comments on STR No. 5

The STR does not meet the reporting criteria set forth at Sec. 23 1(a) of the MLFTA, i.e., transactions involving:

- the proceeds of crime;
- the financing of terrorism; or
- of a suspicious or an unusual nature.

Furthermore, the reporting entity has indicated the **relevant public sector agency** as having already taken action on the matter.

STR 6 (Money Value Transfer Service)

Consumer received X number of transactions over various dates from X number of unique individuals with no apparent family relationship, was unable to make contact as telephone number provided was not in service.

FIU Comments on STR No. 6

1. This narrative is woefully inadequate and does not reflect the seriousness with which the filing of a STR should be contemplated.
 - a. Why, specifically, is the report being submitted?
 - b. How long has this activity been observed with this “consumer”?
 - c. What does your own investigation show?
2. The report does highlight potential operational/regulatory exposure, given the financial institution’s inability to make contact with the client in circumstances where there is a need to clarify transactions passing through the institution.